

SPOKANE COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Controls Over Cash Receipting Should Be Improved

Our review of the cash receipting procedures at the county's departments revealed that 48 percent (\$71 million) of all county receipts are receipted at the department. The following internal control weaknesses were noted:

- a. The county does not have established written policies and procedures for cash receipting at the decentralized locations.
- b. Public funds are not safeguarded by funds being deposited intact within 24 hours of receipt.
- c. Cash/check composition are not recorded on receipts.
- d. Departments are using blank rediform receipts. The use of rediform receipts increases the risk that errors and irregularities could occur and not be detected in a timely manner. This is because the assignment of the numerical sequence to these receipt forms is not under the division's control. Without numeric control over receipts, there can be no assurance that all receipts are recorded and deposited.
- e. Bank accounts are established by departmental personnel without the consent or knowledge of the county treasurer.
- f. Spokane County checking accounts established at the department level do not always specify Spokane County's name.
- g. The county could not provide a comprehensive list of collection sites or bank accounts.

RCW 36.29.020 states in part:

The county treasurer shall keep all moneys belonging to the state, or to any county, in his or her own possession until disbursed according to law.

RCW 36.48.010 states in part:

Each county treasurer shall annually at the end of each fiscal year or at such other times as may be deemed necessary, designate one or more financial institutions in the state which are qualified public depositaries as set forth by the public deposit protection commission as depository or depositaries for all public funds held and required to be kept by him as such treasurer

Washington State Constitution, Article XI, Section 15, states:

All moneys, assessments and taxes belonging to or collected for use of

any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.240 states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

The above weaknesses increase the risk of theft.

These conditions have occurred because the county does not have written procedures from which to establish and maintain proper control over county cash receipting.

We recommend the following:

- a. The county should establish written policies and procedures for cash receipting and depositing for all decentralized cash collection locations.
- b. All public funds should be deposited intact within 24 hours of receipt.
- c. Cash and check composition should be recorded on receipts to help provide an audit trail.
- d. Blank rediform receipts should be replaced with prenumbered, preprinted receipts controlled by the county treasurer.
- e. Bank accounts should only be established at financial institutions designated by the county treasurer.
- f. All Spokane County checking accounts should be established through the county treasurer. The name of all county bank accounts should begin with "Spokane County" to ensure proper identification.
- f. A comprehensive list should be prepared of all cash collection sites and bank accounts.

2. The County Assessor Should Improve Internal Controls Over Operations

Our examination of the county assessor's department disclosed deficiencies in internal controls and accounting procedures. The following weaknesses were noted:

- a. There are improper separation of duties between the assessor's and treasurer's office. The assessor's office does not review, reconcile or balance any changes made by the treasurer's office.
- b. Appraisers make changes to other appraiser neighborhoods without proper authority or established procedures. During 1994 one appraiser made changes to 32 percent (397 out of 1,258) of properties that were not in his assigned neighborhood.
- c. The assessor's office does not have a control account to reconcile authorized assessed value changes. No balancing and reconciliation procedures are performed.
- d. The application system's daily audit trail transaction log report is not used to verify input data to ensure only authorized, complete, and accurate transactions have been entered.
- e. OASIS audit reports are not being reviewed by a supervisor or someone independent of appraisal. Statistical reports are not consistently used to ensure uniformity of assessed values within neighborhoods.

The AICPA's *Professional Standard* Volume A, in Section 320.37 states:

Incompatible functions for accounting control purposes are those that place any person in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

Internal control weaknesses, such as described, do not provide adequate protection of public assets. Weak internal controls increase the potential for the occurrence of fraud and undetected accounting errors.

The county assessor department has failed to implement proper internal control policies and procedures.

We recommend that the county assessor management implement internal control policies and procedures. These controls and procedures should be included but are not limited to:

- a. The assessor's office should review, reconcile, or balance any changes made by the treasurer's office.
- b. Policies and procedures should be established to limit appraisers from making changes to other appraiser neighborhoods without proper authority.
- c. The assessor's office should establish a control account to reconcile authorized assessed value changes. Balancing and reconciliation procedures should be performed.
- d. The application system's daily audit trail transaction log report should be used to verify input data to ensure only authorized, complete, and accurate transactions

have been entered.

- e. OASIS audit reports should be reviewed by a supervisor or someone independent of appraisal. Statistical reports should be used to ensure uniformity of assessed values within neighborhoods.

3. The County Assessor Should Establish Controls Over Exemptions To Ensure Compliance With State Laws

During our examination of the county assessor's exemption function we found the following deficiencies:

- a. The exemption function is decentralized without adequate separation of duties. Exemptions are entered into the system by either appraisers, property control, or treasurer's office with no independent review to safeguard the public assets. The computer application systems audit trail transaction log report is not retained or reviewed to ensure that only complete, accurate, and authorized transactions have been entered.
- b. Senior Citizens
 - (1) Claims for exemptions and renewal applications are not accompanied with proper supporting documentation. We tested 24 senior citizen exemptions and found eight instances (33 percent) that were either missing proof of income or required signature from taxpayer.
 - (2) Source document control design is inadequate. The senior citizen transmittal form is not signed or approved prior to submission to treasurer's office for input. The senior citizen transmittal form is not prenumbered or logged for accountability.
 - (3) Senior citizen and disabled citizens are not required to complete a renewal application form.
 - (4) The assessors cannot provide documentation for completing the audit of one-fourth of the senior citizen exemptions.
 - (5) The department does not have a policy nor attempt to collect back taxes on property exempted in error.
- c. Commercial Property
 - (1) We found three instances of government properties sold to the private sector whom the exemption status was not removed on property values of approximately \$272,000 with an approximate loss of tax revenue in the amount of \$4,000.
 - (2) We found one commercial property was incorrectly exempted. The property was valued at \$1,649,000 with a loss of tax revenue of \$17,605.71.
 - (3) The department does not have a system to ensure that Department of Revenue's exemptions have been properly entered.

RCW 84.36.379 states:

The legislature finds that the property tax exemption authorized by Article VII, section 10 of the state Constitution should be made available on the basis of a retired person's ability to pay property taxes. The legislature further finds the best measure of a retired person's ability to pay taxes is that person's disposable income as defined in RCW 84.36.383(6).

RCW 84.36.383 states in part:

(6) "Disposable income" means adjusted gross income as defined in the federal internal revenue code

RCW 84.36.385 states in part:

... an exemption from tax under RCW 84.36.381 shall continue for no more than four years unless a renewal application is filed as provided in subsection (3) of this section . . .

(3) Each person exempt from taxes under RCW 84.36.381 in 1993 and thereafter, shall file with the county assessor a renewal application not later than December 31 of the year the assessor notifies such person of the requirement to file the renewal application.

(4) Beginning in 1992 and in each of the three succeeding years, the county assessor shall notify approximately one-fourth of those persons exempt from taxes under RCW 84.36.381 in the current year who have not filed a renewal application within the previous four years, of the requirement to file a renewal application.

RCW 84.36.387 states:

(3) All claims for exemptions and renewal application shall be accompanied by such documented verification of income as shall be prescribed by rule adopted by the department of revenue.

RCW 84.36.810 states in part:

(1) Upon cessation of a use under which an exemption has been granted pursuant to RCW . . . the county treasurer shall collect all taxes which would have been paid had the property not been exempt during the three years preceding, or the life of such exemption, if such be less . . .

The county currently has approximately \$3 billion or 23 percent of the total assessed property value exempted. Internal control weaknesses, such as described, do not provide adequate protection of public assets. Weak internal controls increase the potential for the occurrence of fraud and undetected accounting errors.

The county assessor exemption fund did not comply with state laws and regulations. The county assessor has not assigned responsibility to oversee the exemption process.

We recommend that the county assessor management implement internal control policies and procedures to ensure compliance with applicable state laws and regulations. These controls and procedures should include but are not limited to:

- a. The county assessor should assign responsibility of the exemption process and complete an independent review. The audit trail transaction log report should be used to ensure only authorized, accurate, and complete transactions have been entered into the system.
- b. Claims for exemptions and renewal applications should be accompanied by such documented verification of income as prescribed by the Department of Revenue and state laws.
- c. Senior citizen transmittal forms should be prenumbered, signed by preparer, approved by a supervisor and logged prior to submission for data entry processing. All transactions input should be reviewed for completeness and accuracy.
- d. Senior citizens and disabled citizens should be required to complete a renewal application form as prescribed by state laws.

- e. The assessor should retain proper documentation indicating compliance with the state requirement of auditing one-fourth of senior citizen exemptions.
- f. The assessor should develop a policy on the proper procedures covering property found to be exempted in error.
- g. The assessor should ensure that only eligible properties are exempt. Efforts should be made to collect the proper taxes on property improperly exempted.
- h. Procedures should be established to review historical property exemptions.

4. The County Assessor Needs To Improve Procedures Over Segregation

The county assessor, as part of their function, performs segregation of property in their property control division. A segregation redefines the boundaries of specific portions of land (parcel) on which property taxes are levied and collected. During our examination of the county assessor segregation process, we noted the following deficiencies:

- a. There are no written policies establishing priority to complete segregation.
 - (1) Segregation is not completed in sequential order.
 - (2) Segregation is not completed in a timely order. There is currently an enormous backlog of incomplete segregation (approximately 2,500). There is an additional 1,500 right-of-way segregations which are not completed.
 - (3) Property control does not log government segregation. There is approximately 1,000 government segregation requests which have not been logged or completed.
- b. The assessor's office submits change requests to the treasurer's office for processing without completing an independent review. A change request increases or decreases the value and tax status of a parcel. During 1994, ten change requests were never processed because the treasurer had not received them. The error was not detected until nine months later due to a taxpayer complaint.

RCW 84.40.020 states in part:

All real property in this state subject to taxation shall be listed and assessed every year, with reference to its value on the first day of January of the year in which is it assessed

Volume 1, Part 3, Chapter 1, pages 15 and 17-18 of the *Budgeting, Accounting and Reporting System* (BARS) manual, issued by the State Auditor's Office pursuant to RCW 43.09.230, requires the following for entity internal control systems:

An internal control system consists of the plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports

By not completing segregation timely, the county assessor's office has either lost revenue for Spokane County taxing districts or has not properly redistributed the tax burden among the taxpayers.

The county assessor has not adequately addressed the cause of the backlog of segregation.

We recommend that the county assessor management implement internal control policies and procedures to ensure compliance with applicable state laws and regulations. These controls and procedures should include but are not limited to:

- a. The county assessor should establish written policies and procedures for completing all segregation which should address establishing priority, completing segregation in a sequential order and in a timely manner.
- b. The county assessor should complete an independent review to ensure only authorized, accurate, and complete transactions have been entered into the system.

5. County Assessor Needs To Improve Computer Application Controls

Our examination of the County Assessor's computerized On-Line Appraisal Statistic's Information System (OASIS) found the following deficiencies:

- a. The security access controls need improvement.
 - (1) The security features of the application are not implemented. The system does not limit the number of unauthorized access attempts.
 - (2) The department does not have a security administrator to control security access or monitoring activity.
 - (3) The department does not have a formal security policy.
 - (4) User codes and passwords are shared among the staff.
 - (5) Generic user codes are used.
 - (6) A terminated employee still had access to the system.
 - (7) Information services programmers have full access capabilities to the production files.
 - (8) Users are not assigned security features necessary to perform their job function.
- b. Information services programmers make changes to the live data as part of their testing of the system.
- c. The applications transaction audit trail log is not retained or reviewed by the users to ensure that only authorized, complete, and accurate transactions have been entered into the system. There are not adequate controls to ensure the integrity of data processing.

The State Auditor's Office, *General Controls and Application Controls for Computer Systems*, Bulletin 003 states:

There should be a segregation of functions between the EDP department and the users. The EDP department should be organizationally independent of the governmental units using their services. In addition, the EDP department should only control data to be processed.

Access to program documentation should be limited to those persons requiring it in the performance of their duties. Program documentation contains information necessary to make changes to programs, data file structures, programmed control criteria, and other elements of applications. As such, it should be subjected to restricted access.

Access to data files and programs should be limited to those authorized to process or maintain particular systems. This control could be implemented through a "library" function applied to both data and program files. The library function can be carried out through the use of library personnel as well as librarian software systems.

Weak controls increase the opportunity for unauthorized modifications to files and programs, as well as misuse of the computer hardware, significantly decreasing the integrity of the system. Without a proper security policy in place, it is unlikely that any security that is applied will be sufficient to ensure only authorized transactions are entered

into the system.

The county assessor's department management has not taken responsibility for the OASIS application. The department has relied upon the information services department without accepting responsibility as the user of the system.

We recommend the following:

- a. Security access controls should be established.
 - (1) The application security features should be installed. Users should be limited in number of times to attempt access.
 - (2) The department should assign a security administrator to control and monitor security access.
 - (3) The department should establish a formal security policy.
 - (4) Policy should be established to prevent users from sharing user codes and passwords.
 - (5) Generic user codes should not be established as all users should be identifiable.
 - (6) Terminated employees should not be granted access to the system.
 - (7) Programmers should not be granted full access to the production files.
 - (8) All user access should be reviewed to ensure users are assigned access appropriate to perform their job.
- b. Information systems department programmers should implement procedures to perform testing of the OASIS application in a test environment.
- c. The transaction log audit report should be retained and reviewed to ensure only authorized, accurate, and complete transactions have been entered into the system. The department should work with information systems department to make modifications to the report so it will capture all the necessary transaction data.

6. The County Assessor Should Comply With State Law

During the past two years the county assessor department has been in the process of implementing a new computer application system and performing an annual revaluation of all taxing properties in the county. This has resulted in the department not being in compliance with applicable state laws and regulations. We found:

- a. Physical inspections have not been completed for one-sixth of the taxing areas for the last two years.
- b. Reassessment valuation notices have not been completed and mailed in a timely manner. During 1994 the revaluation notices were mailed to taxpayers August 15, 1994.
- c. The Assessor Certification of Assessment Rolls to County Board of Equalization certified on November 22, 1994.
- d. Levies certified to County Treasurer and Board of County Commissioners on February 10, 1995.

RCW 84.41.030 states:

Each county assessor shall maintain an active and systematic program of revaluation on a continuous basis, and shall establish a revaluation schedule which will result in revaluation of all taxable real property within the county at least once each four years and physical inspection of all taxable real property within the county at least once each six years.

RCW 84.40.040 states in part:

The assessor shall begin the preliminary work for each assessment not later than the first day of December of each year in all counties in the state. The assessor shall also complete the duties of listing and placing valuations on all property by May 31st of each year, except the listing and valuation of construction . . . shall be completed by August 31st of each year

RCW 84.40.320 states in part:

. . . The assessor shall also make, under proper headings, a certification of the assessment rolls and on the 15th day of July shall file the same with the clerk of the county board of equalization

RCW 84.52.070 states:

It shall be the duty of the county legislative authority of each county, on or before the thirtieth day of November of each year, to certify to the county assessor of the county the amount of taxes levied upon the property in the county for county purposes, and the respective amounts of taxes levied by the board

RCW 84.52.080 states in part:

(4) The county assessor shall deliver said tax rolls to the county treasurer, on or before the fifteenth day of January

Without the timeliness of reporting requirements as stated in the law, the taxing districts are not provided with timely information to comply with budget requirements. Taxpayers are not provided with timely information to ensure property values are fairly stated.

The county assessor did not comply with the *Revised Code of Washington* state law. The county assessor management implemented new procedures without ensuring proper controls were in place to ensure timeliness of reporting property valuations and levies per state law and regulations.

We recommend that the county assessor implement policies and procedures to ensure compliance with prescribed state law.

7. The County Parks Department Needs To Improve Controls Over Golf Course Cash Receipting

During our review of the cash receipting procedures at the county's park department golf courses we found the following deficiencies:

- a. The current cash receipting system does not provide adequate assurance that all transactions are recorded, that transactions are recorded on a timely basis, and that all moneys received are deposited intact.
 - (1) Sales are split between two cash registers (the county and pros), thereby destroying the audit trail.
 - (2) Cash/check composition is not recorded in the cash register system.
 - (3) Public funds are not safeguarded with funds being deposited intact within 24 hours of receipt.
- b. All applicable revenue is not being collected. While verifying the players and carts on the golf courses, two instances of errors in revenue were noted: a cart trail fee was not collected and nonresidents were charged the wrong amount.
- c. All players and play are not accurately counted and tracked.
 - (1) Season ticket holders sign a daily log, on the honor system, to track the rounds of play. The player and play counts were not accurate because the season pass holders do not always sign the log.
 - (2) The punch card pass users do not sign in at all.
 - (3) The plays that are tracked through the purchased green fees are not maintained on a daily basis because the cash registers are not closed on a daily basis.
- d. Season tickets are not adequately monitored. Reconciliations of season tickets and cart decals to cash collected have not been performed for several years.

Washington State Constitution, Article XI, Section 15 states:

All moneys, assessments and taxes belonging to or collected for use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.240 states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

RCW 43.09.200 states in part:

The accounts shall show the . . . documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . .

Internal control weaknesses, such as described, do not provide adequate protection of

public assets. Weak internal controls increase the potential for the occurrence of fraud and undetected accounting errors.

These conditions have occurred because the county does not have written cash receipting policies and procedures established for the golf courses.

We recommend the county establish policies and procedures to ensure the safeguarding of public funds. These controls should include but are not limited to the following:

- a. Establish a cash receipting system which provides assurance that all transactions are recorded on a timely basis and that all moneys received are deposited intact.
 - (1) Establish an audit trail to identify which money collected are public funds and which are the pros funds.
 - (2) Identify the cash/check composition of all sales.
 - (3) Deposit intact all public funds collected within 24 hours of receipt.
- b. Establish policies and procedures to ensure all applicable revenue is collected.
- c. Accurately count and track all players and play.
- d. Establish procedures to adequately monitor the sales of season tickets and cart decals. An independent review and reconciliation should be performed in a timely manner.

8. The County Should Not Pay Contracts In Advance Or Inappropriately Approve Unemployment Benefits

The county paid three contracts, totaling \$62,226, in advance of the services being performed. The contracts were with three employees that were removed from their positions in the Building and Planning Divisions on June 9, 1995. The contract pays these three individuals to be available for questions from June 12th through September 15, 1995. The lump-sum payment was made on June 15, 1995, for contract services to be performed from June 12th through September 15, 1995. Since the former employees had entered into a contract with the county to be available for questions, the county also inappropriately approved unemployment benefits in June for all three former employees. The county is self insured for unemployment benefits.

Article VIII, Section 7 of the Washington State Constitution states in part:

No county, city . . . shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association . . .

Additionally, RCW 42.24.080 states:

All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute . . . Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the division of municipal corporations in the state auditor's office. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered or the labor performed as described, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision; and no claim shall be paid without such authentication and certification (Emphasis ours.)

The county's management was unaware of the legal restrictions on personal service contracts. In addition, there was confusion within the county's management as to the status of the three employees.

When payments are paid in advance of work performed, the county's risk of loss increases substantially.

We recommend that the county refrain from making advance payments and implement procedures to ensure that payments for goods and services are made only upon receipt of the goods or performance of those services. We further recommend that the county only authorize unemployment benefits to eligible individuals.

9. The Utilities Department Should Strengthen Cash Receipting Controls And Establish Collection Procedures For Delinquent Accounts Receivables Over The Aquifer Protection Area

- a. The public works department's Aquifer Protection Area does not deposit funds upon receipt. The department bills accounts every other month. The department receives numerous checks daily. The department cannot process all the checks received so the funds are stored in the vault. At any time, the department could be holding at least 2,000 checks. The aquifer protection accounts average approximately \$15 which could represent \$30,000 of undeposited funds on a daily basis.
- b. As of December 31, 1994, the Aquifer Protection Area had an accounts receivable balance of \$1,258,954 of which \$679,157 was over 18 months delinquent (or 54 percent).

RCW 43.09.240 states:

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four consecutive hours.

RCW 36.36.045 states in part:

The county shall have a lien for any delinquent fees imposed for the withdrawal of subterranean water or on-site sewage disposal, which shall attach to the property for which the fees were imposed, if the following conditions are met:

- (1) At least eighteen months have passed since the first billing for a delinquent fee installment; and
- (2) At least three billing notices and a letter have been mailed to the property owner, within the period specified

Internal control weaknesses, such as described, do not provide adequate protection of public assets. Weak internal controls increase the potential for the occurrence of fraud and undetected accounting errors. Additionally, because the county has not made efforts to collect the revenues due in a timely manner, \$679,157 was uncollected as of December 31, 1994.

The public works department is aware of this problem and they contend they currently do not have the personnel and computer resources to process all checks received in a timely manner. The number of uncollected accounts has transpired because the county does not have an adequate collection procedure for collecting past due accounts.

We recommend that the county:

- a. Establish strong internal controls over cash receipting and deposit receipts daily.
- b. Establish adequate, timely collection procedures for the collection of the Aquifer Protection Area accounts.

10. Separation Of Duties Between Payroll And Human Resources Should Be Improved

Our examination of the county's payroll system disclosed the following deficiencies:

- a. Inappropriate separation of duties exist between the payroll and human resources.
 - (1) Payroll establishes new employees, makes semi-monthly payroll transactions and makes any changes to the employee including removing the employee from the system. It has full capability to add, delete and change employee information, perform payroll processing functions, and distribute the payroll checks.
 - (2) Human resources is not properly authorizing users for access privileges and payroll and human resources responsibilities are not adequately documented.
 - (3) Human resources does not complete an independent review of payroll activity.
- b. Payroll time sheets are not used by all employees certifying hours worked or approved by supervisors authorizing payment of obligation.
- c. Sufficient payroll documentation is not provided to the departments to reconcile all payroll expenditures charged.
- d. Payroll and human resources responsibilities are not adequately documented. The county does not have written policies or procedures for maintaining and reporting payroll and personnel transactions.

The AICPA's *Professional Standards*, Volume A, in Section 320.37 states:

Incompatible functions for accounting control purposes are those that place any person in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties.

The lack of written policies and procedures detracts from accountability. Incomplete documentation inhibits the complete understanding of the system's functions, making employee training as well as system modification more difficult.

We note that the county has activated a position authorization feature of its payroll/human resources application. This serves as an alternative control that limits the extent of errors or irregularities that may occur. However, it does not prevent errors or irregularities in certain situations, e.g., part-time employees and unfilled authorized positions.

The combined effect of inappropriate separation of duties and inadequate written policies and procedures increase the risk that errors or irregularities could occur during the normal course of business and not be detected in a timely manner, if at all.

We recommend the county take the following actions:

- a. Establish appropriate separation of duties between the payroll and human resources departments as stated below:
 - (1) Ensure that the payroll department acts independently of the financial accounting function, i.e., the payroll department should be limited to processing payroll.
 - (2) Human resources should perform the function of adding, deleting, and completing employee changes to the employee master file. If this is not possible, then the Accepted Transaction Listing should be verified to source documents by an independent individual, preferably someone in the human resources

department.

- b. Payroll time sheets should be used by all employees certifying hours worked and approved by supervisors authorizing payment of the obligation.
- c. Sufficient payroll documentation should be provided to the departments to reconcile all payroll expenditure charged, in a timely manner.
- d. The county payroll and human resources departments should develop written policies and procedures for maintaining and reporting payroll and personnel transactions.

SPOKANE COUNTY, WASHINGTON
January 1, 1994 Through December 31, 1994

Schedule Of Federal Findings

1. Controls Over Accuracy Of Information Reported For Reimbursement Requests Should Be Improved

Spokane County requested \$40,000 from the Idaho Panhandle Health for an agreement to share costs of an aquifer protection public information campaign for services performed in 1993 and 1994. The county also received reimbursements from the Environmental Protection Agency for the same \$40,000 which were not supported by the accounting records or documents.

U.S. Office of Management and Budget (OMB) Circular A-87 states in part:

. . . all costs claimed on federal grant projects must be adequately supported by vendor invoices or other appropriate documentation . . .

The "Common Rule" requires reports that contain information that is traceable to accounting records and documents.

As a result, we have included \$40,000 in the accompanying Schedule of Questioned Costs.

Lack of adequate review procedures over the reimbursement requests resulted in this error.

We again recommend that the county establish appropriate review procedures over the reimbursement reports.